

## **RAMP Market Development Strategy**

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## RAMP MARKET DEVELOPMENT STRATEGY

### A. RAMP's Contribution to Afghanistan Agricultural Development

RAMP will support the Ministry of Agriculture and Animal Husbandry's leadership of the Natural Resources Management Consultative Group by providing technical assistance to improve food security and increase rural incomes. Food security is a critical concern because of the massive displacement of farmers and the widespread destruction and lack of maintenance of rural infrastructure over more than two decades of military conflict. Large portions of the population have been food insecure because they could not produce their household food needs or did not have enough cash to purchase these needs.

RAMP will improve food security and increase rural incomes by introducing new knowledge on practical methods of increasing crop and livestock productivity. The fundamental gage of RAMP's success will be the average returns to farmers' labor: we will target technologies and agricultural commodities that can double farmers' wages over the next three years. For example, agricultural wages have recently risen to about \$1.50 per day, after falling to about one dollar per day throughout most of the last decade. These wage rates generally reflect the floor returns to labor that are dominated by grain production. RAMP will double the rural wage rates in RAMP priority areas over the next three years by improving farmers' competitiveness. To become more competitive, farm costs of production and marketing costs will have to be reduced in order to expand agricultural sales into new domestic and international markets. Lower prices will allow additional, lower-income consumers access to domestic markets and importers in international markets will increase purchases of Afghan agricultural products. RAMP will increase Afghan agricultural competitiveness by implementing interventions to improve agricultural technology, strengthen and expand markets, expand rural access to financial services and rehabilitate rural infrastructure.

Crop and livestock yields will be increased through the introduction of new, practical technologies, such as improved seed quality and plant varieties, improved cultivation, irrigation and harvesting methods, improved livestock breeds, improved feeds and feeding practices and improved livestock health practices. Increased farm productivity will lower the unit cost of production, which is the prerequisite for improving agricultural competitiveness.

On-farm production demonstrations will be conducted throughout RAMP project areas to maximize the dissemination and adoption of these technologies by the largest number of farmers in the shortest possible time. RAMP will expose at least 500,000 farm households to these technologies and assure their adoption of the technologies by the end of the project. This would imply that at least 3.5 million people, or one-seventh of Afghanistan's population will be directly affected by RAMP at the farm level. Particular attention will be given to enterprises that will expand women's economic participation. Given the expected doubling of farm wages, and

#### Text Box 1. Improving Competitiveness Along the Agricultural Value Chain

**Input Supply Markets:** Reducing delivered prices of seed, fertilizer, chemicals and equipment by strengthening dealers' business management capacity, increasing inventory capacity, reducing import transactions costs, expanding dealer technology extension capacity, reducing transportation and brokerage costs.

**On-Farm Production:** Increasing crop and livestock yields, improving on-farm irrigation efficiency, timing production to exploit price trends, improving pest and disease management, increasing on-farm storage capacity, reducing harvest losses, selecting enterprises that maximize returns to farmers' labor.

**Post-Farm Product Markets:** Reducing post-harvest losses, expanding and strengthening farm-wholesale-retail market linkages, reducing transportation and brokerage costs, increasing processing efficiency, reducing export transactions costs.

assuming only one adult worker per household, these households will earn at least \$200 million in extra wages over the next three years.

RAMP will reduce off-farm marketing costs, and thus further improve agricultural competitiveness, by introducing agribusiness traders, processors, distributors, importers and exporters to practices that: reduce post-

harvest losses; improve market timing by increasing access to timely price information; and reduce transportation, storage, handling and distribution costs. Agribusinesses in local and regional marketing centers that support the 500,000 RAMP farm households will be trained in improved business, processing, handling, storage and brokerage practices. These improved practices will result in marketing cost reductions that will have the practical effect of **reducing market prices** and **expanding market volumes** -- food consumers expand consumption in response to lower prices, and farmers expand production, at higher prices that they received under higher marketing cost conditions.

RAMP will further strengthen agricultural markets by expanding financial services to micro, small and medium-sized agribusinesses. RAMP will provide capital to qualified Afghan rural finance NGOs and other financial institutions for lending to the agribusinesses along the value chains of each priority RAMP sub sector (cotton, grain, dried fruit, nuts, fresh vegetables, etc.). Women-owned and operated enterprises will be given special consideration for lending. These loans will expand market volumes by allowing agribusinesses to acquire and maintain larger inventories, expand inter-regional trade (to reduce temporary supply-demand imbalances) and invest in additional and improved marketing handling, processing, storage, and transport equipment. Again, the market effects of expanded agribusiness credit will be increased quantities of agricultural products markets, at lower average prices, to the benefit of both consumers and producers.

RAMP will strengthen farm and agribusiness competitiveness by rehabilitating rural irrigation systems, roads and local market facilities. A typical small scale irrigation system (diversion dams, canals and kerezes) supports 500 to 1000 hectares of cultivated land in nearby villages. RAMP will rehabilitate up to 500 such systems, returning up to 250,000 to 500,000 hectares of cultivated land to full irrigated production. The effect on crop production will generally be at least a doubling of yields. Most secondary and tertiary roads connecting rural villages to district and regional markets are so poorly maintained as to be

impassable to vehicular traffic, or allowing traffic at very low speeds and at great risk of truck damage. These road conditions translate into high transport costs, where roads are passable, or near isolation of rural village markets. The result is high prices for consumers and limited production and marketing possibilities for farmers. RAMP will repair at least 1,000 km of rural roads. Assuming a typical village connector road

#### **Text Box 2. Reducing Post-Harvest Losses By Constructing/Rehabilitating Market Centers:**

##### Village-based market centers

- to facilitate more efficient assemblage and storage of produce from surrounding farmers
- improve access to produce by traders
- to improve and enhance business and trade between farmers and traders

##### Construction

- concrete slab
- metal roof
- vehicle access

#### **Text Box 3. Freight Handling Facility**

##### Kabul International Airport – Constraints:

- Offers only limited ramp and freight handling services
- Offloading charges are \$130/mt

##### Proposed establishment of freight handling facility, including


- Concrete ramp area
- Hangars
- High loader
- Fork lifts
- Trucks

is 5 km, over 2,000 villages in RAMP priority regions will gain access to surrounding markets for the import of seeds, fertilizer and other inputs, and the export of crop and livestock products. Farm-to-market transportation margins for these villages will typically be reduced by up to 50 percent. Even if farmers increase production with RAMP-supplied technologies, there is often a lack of sufficient concentrated volume at the village level to attract traders. RAMP will assist villages in concentrating their products for local sale to traders by constructing or rehabilitating at least 1,000 community market centers or sheds, to reduce post-harvest losses and improve brokerage between farmers and traders. These sheds will reduce marketing losses, and increase demand for local produce by traders, who then have more incentives to develop transport services to villages because of reduced unit transport costs. These sheds will have the effect of reducing marketing costs in the same manner as improved rural roads.

## B. Sequence of Market Development

We will enhance food grain productivity to establish a sound food security platform for reallocating saved labor and land, across current and newly identified high-value commodities, and from local to regional and international export targets (Table 1). This will

**Table 1. The Course of Agricultural Market Development, By Location and Commodity**

Market Location	1. Food Grain Security	2. Current High Value Commodities	3. New High Value Commodities
			
<b>A. Local/In-Country</b>	A1. Improve yields to reduce household food risk, up to the point where labor returns are higher in other commodities	A2. Apply technology to reach the productivity required to yield labor returns that are at least double the prevailing local wage rate	A3. Apply technology to achieve local competitive advantage in newly emerging high-value commodities.
<b>B. Regional/ Cross-Border</b>	B1. Export surplus grain and import deficits at competitive prices, with income earned from other commodities	B2. Apply post-harvest technologies and reduce transactions costs to create selling price advantages in border/regional markets	B3. Apply post-harvest technologies and reduce transactions costs to create selling price advantages in border/regional markets
<b>C. International</b>	C1. Export surplus grain and import deficits at competitive prices, with income earned from other commodities	C2. Increase production and processing, including quality control procedures in order to reach the standards demanded by international markets.	C3. As domestic volume grows, build on regional/cross-border markets to achieve competitive advantage in more distant markets

ensure minimum household food grain security requirements are met, while freeing up resources for producing more profitable crops. At the national level, this approach, under a liberalized, open market system, will allow food grain surpluses to be exported. Any food grain deficits will be met through imports – paid for with earnings from sales of high-value commodities, at lower prices than would prevail under a food grain self-sufficiency policy.

## C. Priority Subsectors Within Each Regional Market Cluster

In Table 2, we propose the following five priority regions and five priority commodity clusters with high potential to build on the market expansion course described in Table 1.

1. The Kandahar-Helmand Region has large-area mechanized food grains, cotton, intensive commercial horticulture, and cereal cropping.
2. The Shomali Plain Region has intensive vegetable and fruit production.

3. The Kunduz-Baghlan Region has cotton and food grains.
4. The Nangahar-Laghman-Paktia Region has high-productivity double cropping in food grains, vegetables, and fruits.
5. The Wardak-Logar-Ghazni Region has mixed high-altitude food cropping and fruits. Poultry production, an important source of employment for women, is concentrated throughout these regions, along primary roads and near regional market centers.

Dried fruits and nuts, particularly raisins, dried apricots and almonds, are a major export cluster for Kandahar-Helmand, Shomali, Kunduz-Baghlan, and Nangahar-Laghman-Paktia; pistachio production is important in Kunduz; cotton production and processing is concentrated in Kandahar-Helmand and Kunduz-Baghlan, with some in Nangahar-Laghman-Paktia and Wardak-Logar-Ghazni; vegetables are produced in all regions, with a concentration in Shomali; and food grains are produced in all regions, with concentrations in Kandahar-Helmand and Kunduz-Baghlan.

**Table 2. Proposed RAMP Priority Regions and Sub-sectors**

Region (Province)		Sub-sector					Population 2002-2003		
		Poultry	Dried Fruit/ Nuts	Cotton	Fresh Produce	Food Grains	Region	% of	
								Regions	Country
1	Kandahar-Helmand	++	+++	+++	++	+++	1,619,700	15	8
2	Shomali (Kabul-Parwan-Kapisi)	+++	++		+++	++	3,763,700	36	19
3	Kunduz-Baghlan	++	++	+++	++	+++	1,564,000	15	8
4	Nangahar-Laghman-Paktia	++	++	+	++	+++	1,876,500	18	9
5	Wardak-Logar-Ghazni	++	+	+	++	++	1,635,100	16	8
+ (tentative relative importance of market development potential)							<b>Total</b>	<b>10,459,000</b>	<b>100</b>
								<b>52</b>	

These regions, outlined in Map 1, satisfy the critical requirements for an effective regional growth-pole development program, by:

1. Containing about half of the Afghan population;
2. Having high competitive advantage or potential in commercial clusters that lie in agro-climatic zones that form the bulk of the Afghan agricultural economy;
3. Being accessible to primary roads;
4. Having significant irrigation infrastructure; and
5. Having significant marketing services concentrated in nearby regional population centers.

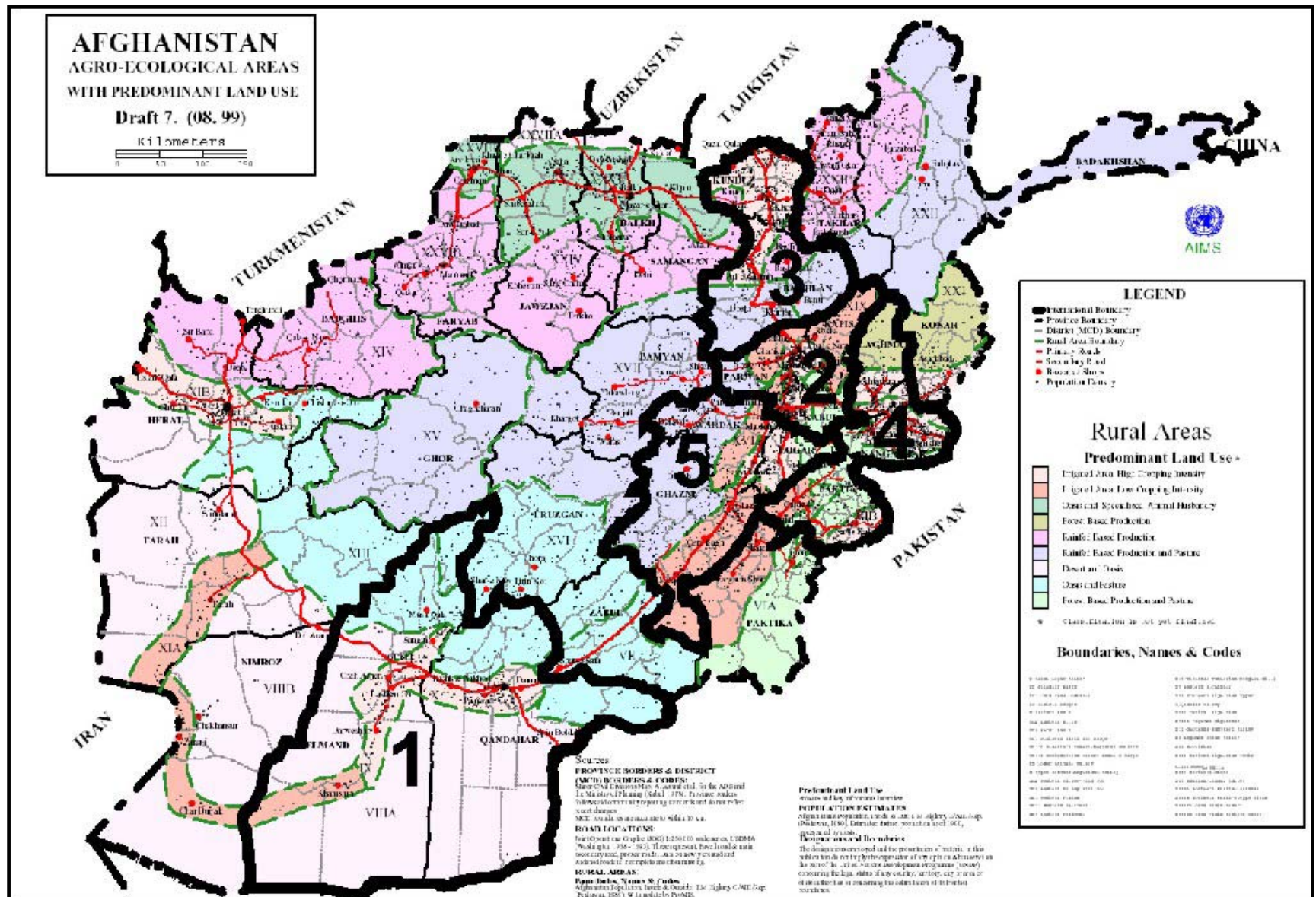
#### **D. Priority Provinces and Districts Within Each Region**

Based on these growth requirements, Helmand, Kunduz, Parwan, Nangahar and Ghazni Provinces are proposed as the immediate priorities. Within each of these provinces, the five most populous districts are proposed for the local placement of initial RAMP market development interventions. As these interventions are implemented and established, additional interventions will be implemented and established in nearby districts in the five most populous districts, and in the nearby provinces within each priority region, in accordance with the market development approach proposed in Table 1.

##### **Text Box 4. Assessments in Priority Provinces**

Assessments in Kunduz, Helmand, Nangarhar, and Ghazni were made. These assessments identified the interventions that are needed in order to improve infrastructure to increase the amount of agricultural land under cultivation and to increase productivity.

**Map 1. Location of RAMP Priority Regions (Region Numbers Correspond to Table 2)**



## E. Job Orders to Increase Competitiveness

Job orders will be issued to qualified local and international organizations to implement interventions that increase crop and livestock productivity and competitiveness, reduce marketing and transactions costs in each priority region and sub sector. These interventions will focus on providing new production and marketing technologies and best practices, increased access to financial services and infrastructure rehabilitation, to more fully exploit existing rural land, labor and water resources, consistent with the principles of competitive advantage.

Emphasis will be placed on job orders that initially focus on the most populous districts in the five priority provinces, to establish an early critical mass of production and marketing cost reductions. This approach will provide the leverage for multiplying market development results from these growth poles into surrounding areas.

### Text Box 5. Job Orders

Job Orders in these five provinces include:

- Chardara & Bala Doori Canal Rehabilitation
- Kandahar/Helmand Check Dams
- Khanabad 24.5 km Road & WaterIntakes
- Rural Poultry Production Project
- Microfinance Investment and Support Facility
- Agri-Input Dealer Training and Development
- Restoring Agricultural Productivity and Promoting Rural Market Diversification and Intensification
- Revitalizing the Grape and Raisin Industry

To be fully “competitive,” farmers and agribusinesses in RAMP priority regions and sub sectors will have to sell their goods and services repeatedly over time, without depending on special tax incentives, subsidies, or trade protections, and they will require domestic markets that are free from policy barriers to enter and exit the relevant business. Foremost in any effort to improve competitiveness will be the emphasis on job order interventions that strengthen market-based incentives to RAMP beneficiaries. Regardless of the position in the commodity value chain, farmers and agribusinesses will have to contain costs if they are to be successful in attracting and retaining new customers – that is a prerequisite for this stage of Afghanistan’s market development program. Product differentiation by quality and branding will be increasingly important after production and marketing efficiencies (cost reductions) have been achieved. New technologies improve the efficiency of the existing resource base and allow more output per unit of input, or lower costs per unit of output. Finally, production and marketing services have to be agglomerated or clustered, and if not geographically, at least by communication and transportation modes that result in economies of scale and size along the market channel or value chain in sourcing inputs, producing goods and services, and processing and distributing the raw product to the final consumer.

## F. Policy Dialogue to Support Agricultural Competitiveness

RAMP will assist the MAAH in strengthening its leadership of the natural resources component of the National Development Program. Much of the MAAH’s success in strengthening agricultural competitiveness will depend on the extent to which it is able to formulate and implement policies that ensure sustainable use of Afghanistan’s fragile land, water and forest resource base. This will require close and continuous coordination with the Ministries of Irrigation, Reconstruction and Rural Development, Small Industries and Mining, Commerce, Transport and Finance, and stakeholders to identify the constraints to RAMP objectives of enhanced food security and increased rural incomes. A list of actual and potential

constraints that should be addressed in order to improve agricultural competitiveness are identified in the Table 3 below. Policy dialogue with the various ministries in the Government will be continuous in order to reduce/eliminate obstacles that prevent private sector investment from modernizing agriculture. RAMP will support this effort by providing a senior policy advisor to reside within MAAH, and a ministerial liaison advisor to assist in the coordination of RAMP activities across all relevant TISA ministries. The prioritization of these policies will be coordinated with the various Ministries.

#### Text Box 6. MAAH Counterparts

The RAMP Technical Team has identified MAAH counterparts in the Departments of

- Animal Husbandry
- Animal Health
- Extension
- Investigations (Research)
- Planning
- Plant Protection
- Private Sector Development

**Table 3. RAMP Policy Constraints and Dialogue Collaborators**

Policy Issue/Constraint	Collaborators	
	Ministerial	Other
Inputs		
Seed (property rights, certification, inspection)	Agriculture	ICARDA, CIMMYT, NGOs, seed companies
Fertilizer (packaging/labeling)	Commerce	IFDC, Fertilizer dealers
Agric chemicals (packaging/labeling)	Commerce	Ag. Chemical dealers
Water use (surface and subsurface water rights)	Irrigation	WB, Louis Berger, DAI
Animal health	Agriculture	FAO, Dutch Development Committee
Leasing agreements (tax treatment)	Finance	WB (MISFA)
Rural infrastructure (irrigation, roads, rural market facilities)	Irrigation, Public Works, Agriculture, MRRD	UNOPS, WB, Louis Berger, ADB, NGOs
Investment Incentives (tax holiday, repatriation of earnings, one-stop shopping)	Finance, Commerce	Provincial Governors, Chambers of Commerce, AISA
Community land use (related to desertification, natural forests)	Agriculture, Natural Resources	Provincial Governors, ADB
Warehouse receipt system (legal, bonding, and contractual)	Agriculture, Finance	Commercial banks
Weights and Measures	Bureau of Standards	
Grades and Standards	Bureau of Standards	Private sector (grain traders)
Inspection services (phytosanitary, plant protection/quarantine, product quality)	Agriculture, Commerce	USDA, Donors
Transport customs and fees	Transport, Commerce, Finance	Local government, private sector (trucking)
Trade policies		
Customs and import duties (agricultural inputs and commodities)	Finance, Commerce	Bearing Pt., Adam Smith Institute, Donors
Export tariffs	Finance, Commerce	Bearing Pt., Donors
Duty drawback	Finance, Commerce	Bearing Pt., Donors
Export promotion	Finance, Commerce, Foreign Affairs	Bearing Pt., GTZ, Donors
Regional policy harmonization	Finance, Commerce, Foreign Affairs	WTO, Int'l Trade Associations



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Policy Issue/Constraint	Collaborators	
	Ministerial	Other
Cooperative laws (bank and non-bank); Association Laws, NGO Laws	Finance, MRRD, MoJ, Commerce, Agriculture	Commercial banks, WB, NGOs
Commercialization laws (bankruptcy, liquidation)	Finance, MRRD, MoJ, Commerce	Commercial banks, Bearing Pt.
Licensing for any agribusinesses, NGOs, others	Commerce	Chambers of Commerce, NGO Associations
Inter-ministerial policy harmonization	Ag, Irrigation, Commerce, Finance, MRRD	Donors
Government obstructive policies to private sector development	Ag, Commerce	Chambers of Commerce, private sector associations, GTZ, donors

### **E. Monitoring and Evaluation of RAMP Performance**

The success of RAMP will depend on the extent to which RAMP interventions via job orders improve agricultural productivity and market efficiency, in line with international standards for best practices and resource use. RAMP's monitoring and evaluation (M&E) program will measure the impact of job order interventions on competitiveness in RAMP priority regions, which will be selected to maximize the diffusion of agricultural development best practices throughout the country. Baseline and periodic marketing assessments and village-level Participatory Rural Assessment (PRA) surveys will be used to establish an objective database for identifying appropriate performance indicators, establishing life of project (LOP) performance targets, and assessment of job order impacts against targets in each RAMP priority region. The RAMP Monitoring and Evaluation Advisor will maintain an M&E plan for implementing these procedures. The RAMP component advisors, the senior policy advisor and the ministerial liaison advisor will use M&E results to coordinate the design and implementation of new job orders that either improve results under existing indicators and targets, or support new indicators and targets that may be required beyond the RAMP mobilization phase.